

E-MAIL ALPERSRU H/02

SUBJ: STATE TAX EXEMPTION STATUS FOR MINNESOTA RESIDENTS

Ref: (a) [Personnel and Pay Procedures Manual, HRSICINST M1000.2\(series\)](#)

Introduction This E-mail ALPERSRU announces new legislation enacted by the State of Minnesota and provides procedures for withholding state income tax for active duty members claiming Minnesota as their state of legal residence.

Discussion Beginning with tax year 2001, if a member is on active duty in the armed forces of the United States, they are considered a nonresident of Minnesota for income tax purposes for the period of time they are stationed outside of Minnesota.

The following circumstances apply:

- If in 2001 a member on active duty in the military served outside of Minnesota, but had Minnesota taxes withheld from their wages, they are required to file Minnesota Forms [M1](#) and [M1NR](#) to claim a refund of the Minnesota tax that was withheld.
- If in 2001 a member on active duty in the armed forces served outside of Minnesota and midway through the year they were discharged returning to Minnesota, they would be considered a part-year resident.

Note: If a member is stationed in Minnesota they would retain their Minnesota residency and be liable to pay Minnesota tax on all of their income, including their military pay.

Procedures Members who were residents of Minnesota during tax year 2001, but stationed outside the state, can receive a refund of Minnesota taxes withheld during 2001 by filing Minnesota Forms [M1](#) and [M1NR](#) with the state.

For tax year 2002, Minnesota residents who are stationed outside the state should take the following action:

Continued on next page

E-MAIL ALPERSRU H/02

SUBJ: STATE TAX EXEMPTION STATUS FOR MINNESOTA RESIDENTS,
Continued

Procedures
(Cont'd)

- (1) Contact their PERSRU to have a CGHRMS entry made to make them exempt from future Minnesota state tax withholding. In CGHRMS, the PERSRU shall indicate "Exempt and do not withhold tax" in the Special Tax Status block of the [State Tax Data 1](#) page.

Note: Members **cannot** use CGHRMS Self-Service to make this change. Self-Service only provides the ability to change the number of allowances, additional withholding amount and marital status.

- (2) At the end of tax year 2002, the member should file Minnesota Forms M1 and M1NR with the state to receive a refund of state taxes withheld during the first 3-4 months of 2002, i.e., taxes withheld prior to establishing exempt status under paragraph (1) above.

Active duty Minnesota residents will be notified of the exemption process on their April 2002 LES.

Directives
Affected

Minnesota state tax exemption rules for active duty military personnel will be incorporated into the next change to reference (a). The [state tax listing](#) in the CGHRMS online help has been updated.

Guidance

The Minnesota Revenue website is located at <http://www.taxes.state.mn.us/individ/taxinfo/1418mil.html>. Required state income tax forms can be obtained at this website. Also, an email address and telephone assistance line are provided.

Questions may also be directed to the HRSIC Customer Service Team at (785) 339-3540 (Menu option #1 for CGHRMS support, option #2 for Military Pay Account Support (MAS)).

Released by


H. W. HEINEKEN
Deputy Director